Berger Paints Nigeria Plc

Unaudited Financial Statements

31 December 2022

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Corporate Information

Board of Directors:	Abi Ayida	-	Chairman
	Adekunle Olowokande	-	Non - Executive Director
	Raj Mangtani (Indian)	-	Non - Executive Director
	Ogechi Iheanacho	-	Non - Executive Director
	Erejuwa Gbadebo	-	Independent Non - Executive
	Aisha Umar	-	Independent Non - Executive
	Alaba Fagun	-	Managing Director (Appointed wef October 4, 2022.)
Company Secretary/Legal Adviser	Ayokunle Ayoko		
Registered Office:	102, Oba Akran Avenue, Ikeja, Industrial Estate P.M.B. 21052, Ikeja, Lagos.		
Contact Details	Tel: +234(01)2805167, 28095169 Mobile: +234(01)2805167, 28095169 0700BERGERPAINTS [0700237437724687] Email: customercare@bergerpaintnig.com Website: www.bpnplc.com		
Social Media Accounts	Website: www.bergerpaints.com.ng Facebook: www.facebook.com/BergerPaintsNigeriaPlc LinkedIn: www.linkedin.com/company/berger-paints-nigeria-plc Twitter: www.twitter.com/BergerPaintsNg Instagram: www.instagram.com/bergerpaintsnigeriaplc. You Tube: www.youtube.com/channel/UCD_T-Wid299NWbfHxA4rGXg		
Investors Relation	Berger Paints Nigeria Plc. has a dedicated investors' portal on its corporate website which can be accessed via this link: https://bergerpaintsnig.com/investor/ The Company's Investors' Relations Officer can also be reached through electronic mail at: ayokunleayoko@bergerpaintnig.com; or telephone on: +234 9037757191 for any investment related enquiry.		
NSE Trading Information	Trading Name: Ticker Symbol: Sector: Sub Sector: Market Classification:		Berger Paints Nig. Plc. (Berger) Berger Industrial Goods Building Materials Main Board
Registration Number:	RC: 1837		
FRC Registration Number:	FRC/2012/0000000000295		
Registrars:	Meristem Registrars Limited 213, Herbert Macaulay Way, Adekunle, Yaba, Lagos. P.O. Box 51585, Falomo, Ikoyi, Lagos Tel: 8920491, 8920492, 01-2809250-3 Email: info@meristemregistrars.com Website: www.meristemregistrars.com		
Independent Auditor:	KPMG Professional Services KPMG Tower Bishop Aboyade Cole Street, Victoria Island, Lagos Tel: +234 1 271 8955 (or 8599)		
Bankers:	Access Bank Plc Ecobank Nigeria Limited Fidelity Bank Plc First Bank of Nigeria Limited First City Monument Bank Limited Guaranty Trust Bank Plc Heritage Bank Ltd		Keystone Bank Limited Polaris Bank Limited Union Bank of Nigeria Plc United Bank for Africa Plc Wema Bank Plc Zenith Bank Plc

Financial Highlights
In thousands of naira

	12 Mths to	12 Mths to	%
Revenue	6,325,825	4,964,796	27
Gross profit	2,063,230	1,582,720	30
Operating profit	483,038	199,544	142
Profit before taxation	467,509	178,089	163
Profit for the period	315,570	135,635	133
Share capital	144,912	144,912	-
Total equity	3,430,344	3,230,704	6
Data per 50k share			
Basic earnings per share (kobo)	109	47	133
Net assets per share (Naira)	11.84	11.15	6
Market price per share as at period end (Naira)	6.00	8.90	(33)
Market capitalization as at period end	1,738,944	2,579,434	(33)

Statement of Financial Position

As at 31 December 2022
In thousands of naira

	Notes	2022	2021
Assets			
Property, plant and equipment	14(a)	2,447,140	2,625,773
Intangible assets	15	18,161	36,152
Tax assets	11(c)(ii)	94,798	20,120
Investment property	16	361,874	382,234
Total non-current assets		**2,921,973**	**3,064,279**
Inventories	17	1,376,469	1,166,616
Trade and other receivables	18(a)	111,789	305,517
Deposit for imports	19	87,925	2,674
Prepayments and advances	20	49,982	36,346
Other financial assets	22	290,779	317,608
Cash and cash equivalents	21	525,191	217,629
Total current assets		**2,442,135**	**2,046,390**
Total assets		**5,364,108**	**5,110,669**
Equity			
Share capital	23(a)	144,912	144,912
Share premium	23(b)	635,074	635,074
Retained earnings		2,650,358	2,450,717
Total equity		**3,430,344**	**3,230,704**
Liabilities			
Loans and borrowings	26	0	7,875
Deferred income	25	61,458	109,298
Deferred taxation	11(d)	323,248	323,732
Total non-current liabilities		**384,706**	**440,905**
Loans and borrowings	26	25,131	137,498
Current tax liabilities	11(c)(i)	172,475	8,622
Trade and other payables	24	955,012	918,785
Deferred income	25	33,036	10,749
Dividend payable	28	363,407	363,407
Total current liabilities		**1,549,061**	**1,439,061**
Total liabilities		**1,933,767**	**1,879,966**
Total equity and liabilities		**5,364,108**	**5,110,669**

These financial statements were approved by the Board of Directors on 24 Jan 2023 and signed on its behalf by:

Abi Ayida (FRC/2019/IODN/00000019260)
Chairman

Alaba Fagun (FRC/2023/PRO/DIR/003/234540)
Managing Director

Onyebuchi Roberts (FRC/2013/ICAN/00000002109)
Chief Financial Officer

The Significant accounting policies and accompanying notes form an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the period ended 31 December 2022

In thousands of naira	Notes	3 Mths to 31 Dec 2022	3 Mths to 31 Dec 2021	12 Mths to 31 Dec 2022	12 Mths to 31 Dec 2021
Revenue	5	1,799,225	1,504,010	6,325,825	4,964,796
Cost of sales	9(a)	(1,130,147)	(1,023,376)	(4,262,595)	(3,382,076)
Gross profit		**669,078**	**480,634**	**2,063,230**	**1,582,720**
Other income	6	12,398	37,891	60,533	77,320
Selling and distribution expenses	9(a)	(96,390)	(104,494)	(307,933)	(261,765)
Administrative expenses	9(a)	(348,728)	(275,967)	(1,332,792)	(1,190,586)
Operating profit before credit impairment charges		**236,358**	**138,064**	**483,038**	**207,689**
Impairment loss on trade receivables	8	-	(8,145)	-	(8,145)
Operating profit		**236,358**	**129,919**	**483,038**	**199,544**
Finance income	7	(8,828)	5,319	22	26,843
Finance costs	7	(1,703)	(8,192)	(15,551)	(35,626)
Net finance income/cost		**(10,531)**	**(2,873)**	**(15,529)**	**(8,783)**
Profit before minimum tax		**225,827**	**127,046**	**467,509**	**190,761**
Minimum tax expense	12	**0**		0	(12,672)
Profit before income tax	8	**225,827**	**127,046**	**467,509**	**178,089**
Income tax expense	11(a)	(74,601)	(40,655)	(151,940)	(42,454)
Profit for the period		**151,226**	**86,391**	**315,570**	**135,635**
Other comprehensive income					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		**151,226**	**86,391**	**315,570**	**135,635**
Earnings per share:					
Basic and diluted earnings per share (kobo)	13	52	30	109	47

The Significant accounting policies and accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

For the period ended 31 December 2022

In thousands of naira

	Note	Share capital	Share premium	Retained earnings	Total equity
Balance at 1 January 2022		**144,912**	**635,074**	**2,450,718**	**3,230,704**
Comprehensive income for the year					
Profit for the year		-	-	315,570	315,570
Write back of statute barred dividend	28	-	-	-	-
Total comprehensive income for the year		-	-	315,570	315,570
Transactions with owners, recorded directly in equity					
Dividend	28	-	-	(115,929)	(115,929)
Total transactions with owners		-	-	(115,929)	(115,929)
Balance at 31 December 2022		**144,912**	**635,074**	**2,650,358**	**3,430,344**
IFRS transition adjustment (net of tax)		-	-	-	-
Balance at 1 January 2021		**144,912**	**635,074**	**2,366,986**	**3,146,972**
Comprehensive income for the year					
Profit for the year		-	-	135,635	135,635
Write back of statute barred dividend		-	-	64,025	64,025
Total comprehensive income for the year		-	-	199,660	199,660
Transactions with owners, recorded directly in equity					
Dividend	28	-	-	(115,929)	(115,929)
Total transactions with owners		-	-	(115,929)	(115,929)
Balance at 31 December 2021		**144,912**	**635,074**	**2,450,718**	**3,230,704**

The Significant accounting policies and accompanying notes form an integral part of these financial statements.

Statement of Cash Flows
For the period ended 31 December 2022
In thousands of naira

	Note	Dec 2022	2021
Cash flows from operating activities			
Profit for the year		315,570	135,635
Adjustments for:			
- Depreciation	9(b)	239,303	243,486
- Amortisation	15	19,318	16,426
- Finance income	7	(22)	(26,843)
- Interest expense on lease liabilities	7	3,011	15,187
- Interest expense on financial liabilities measured at amortised cost	7	12,540	20,439
- Gain on sale of property, plant and equipment	8	-	(21,235)
- Minimum tax expense	12	-	12,672
- Taxation	11(a)	151,940	42,454
		741,660	**438,221**
Changes in:			
- Inventories	17(b)	(209,853)	(464,322)
- Trade and other receivables	18(c)	193,750	19,825
- Deposit for imports	19(b)	(85,251)	63,162
- Prepayments and advances	20(a)	(88,314)	(6,897)
- Trade and other payables	24(c)	36,227	214,416
- Deferred income		(25,552)	45,022
Cash generated from operating activities		**562,667**	**309,427**
Set-off of current assets	11(c)	25,236	(36,652)
Tax paid	11(c)	(13,323)	(6,856)
Interest paid	26(b)	(15,551)	(20,371)
Net cash generated from operating activities		**559,029**	**245,548**
Cash flows from investing activities			
Purchase of property plant and equipment	14(g)	(42,144)	(95,090)
Purchase of intangible assets	15	-	-
Proceeds from sale of property, plant and equipment		0	25,075
Interest income on financial assets	7	22	543
Additions to investment in financial assets	22	26,829	(34,685)
Net cash used in investing activities		**(15,293)**	**(104,157)**
Cash flows from financing activities			
Repayment of Principal of Loan and Borrowings	26(b)	(120,242)	(153,746)
Dividend paid	28	(115,929)	(126,615)
Net cash used in financing activities		**(236,171)**	**(280,361)**
			0
Net (Decrease)/Increase in cash and cash equivalents		307,565	(138,970)
Cash and cash equivalents at 1 January		217,629	356,599
Cash and cash equivalents at 31 December	21	**525,191**	**217,629**

The Significant accounting policies and accompanying notes form an integral part of these financial statements.

Notes to the financial statements
For the period ended 31 December 2022

Notes to the Financial Statements
For the period ended 31 December 2022

1 Reporting Entity

Berger Paints Nigeria Plc ("the Company") was incorporated in Nigeria as a private limited liability company in 1959 and was converted to a public liability company in 1973. Its registered office address is at 102, Oba Akran Avenue, Ikeja Industrial Estate, Ikeja, Lagos. The Company is listed on the Nigerian Stock Exchange.

The principal activities of the Company continues to be the manufacturing, sale and distribution of paints and allied products throughout the country and rent of investment property.

2 Basis of Preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act, (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011. The 2022 financial statements were authorised for issue by the Board of Directors on 24 January, 2023.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:
-Non-derivative financial instruments initially measured at fair value and subsequently measured at amortised cost.
- Inventories: Lower of cost and net realisable value.

The methods used to measure fair value are further disclosed in Note 2(e).

(c) Functional and presentation currency

These financial statements are presented in Naira, which is the Company’s functional currency. All financial information presented in Naira has been rounded to the nearest thousand except where otherwise indicated.

(d) Use of estimates and judgment

In the preparation of these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policy and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

Note 3(Q) and 31	leases: whether an arrangement contains a lease
Note 3(D),(F),14 and 16	determination of the useful life of leasehold land
Note 3(L) and 5	revenue recognition and measurement of revenue from rendering of painting services

Information about assumptions and estimation uncertainties that have most significant effects on amounts recognised in the financial statements is included in the following notes;

Note 2(e) and 30(a) determination of fair values

Note 3(G) and 30(b impairment of financial assets: Expected credit loss and forward looking information

(e) Measurement of fair values

A number of the Company’s accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1	- quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. as derived from prices).

Notes to the Financial Statements
For the period ended 31 December 2022

Level 3	- inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 30 – Financial instruments- Fair values and financial risk management.

(f) Change in accounting estimate

During the year, the Company reviewed and revised the estimated useful life of items of Property, Plant and Equipment including Plant and Machinery, Motor Vehicles, Computer Equipment, Computer Software and Furnitures and fitting. This change in accounting estimate was applied prospectively in accordance with the IAS 8-Accounting Policy and Changes in Accounting Estimates and Error.

3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

A. Foreign currency transactions

Transactions denominated in foreign currencies are translated and recorded in Naira at the actual exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to naira at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

B. Financial instruments

i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Notes to the Financial Statements
For the period ended 31 December 2022

The Company's financial assets comprises trade and other receivables, cash and cash equivalents and other financial assets; and are classified as financial assets measured at amortised cost.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company’s continuing recognition of the assets.

Financial Assets- Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this

Notes to the Financial Statements
For the period ended 31 December 2022

condition. In making this assessment, the Company considers:
- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets- Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities- Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss

The Company's financial liabilities comprises loans and borrowings, trade and other payables and dividend payable; and are classified as other financial liabilities.

(iv) Derecognition and offsetting

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements
For the period ended 31 December 2022

C. Capital and other reserves

i. Share capital

The Company has only one class of shares, ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded as share premium. All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

ii. Share premium

When the company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares is transferred to the share premium account. Any transaction costs associated with the share issues are deducted from share premium account, net of any related income tax benefits. The use of the share premium account is governed by S.120 (3) of the Companies and Allied Matters Act 2020.

iii. Retained earnings

Retained earnings represents the Company’s accumulated earnings since its inception, less any distributions to shareholders, and net of any prior period adjustments. A negative amount of retained earnings is reported as accumulated deficit.

D. Property, plant and equipment

i. **Recognition and measurement**

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of construction recognised includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Items of property, plant and equipment under construction are disclosed as capital work-in-progress.

If significant part of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

ii. **Subsequent cost**

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii. **Derecognition**

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on derecognition or disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net in profit or loss in the statement of profit or loss and other comprehensive income.

iv. **Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Notes to the Financial Statements

For the period ended 31 December 2022

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Capital work-in-progress is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	2022	2021
• Leasehold land	Unlimited	Unlimited
• Buildings	20 years	20 years
• Plants and machinery		
- Fixed plant	12- 40 years	12- 40 years
- Movable plant	7 years	7 years
- Generators	5 years	5 years
• Motor vehicles		
- Trucks	6 years	6 years
- Cars	4 years	4 years
• Furniture and fittings	5 years	5 years
• Computer equipment	5 years	5 years
• Computer Software	5 years	5 years
• Motor vehicles under lease	lease period	lease period

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

As disclosed in Note 2(f), the Company reveiewed and revised the useful life of items of Property, Plant and Equipment including Plant and Machinery, Motor Vehicles, Computer Equipment, Computer Software and Furnitures and fitting. The Impact of the change on accounting estimate on depreciation charge in the profit or loss is disclosed in Note 14(g)

E. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with finite useful life are reviewed at the end of each year, changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are considered to modify the amortisation period or method, as appropriate, and are treated as charges in accounting estimates.

The amortisation expense of tangible assets with finite lives is recognised in the profit or loss as the expense category that is consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when asset is derecognised.

Purchased software are recognised as assets if there is sufficient certainty that future economic benefits associated with the item will flow to the entity. Amortisation is calculated using the straight-line method over the remaining useful life of the Asset.

The carrying amount of an intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Internally generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if and only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;

Notes to the Financial Statements
For the period ended 31 December 2022

- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

The internally generated intangible asset represents product formulation development for the newly commissioned automated paint factory.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated

amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

F. Investment property

i. **Recognition and measurement**

An investment property is either land or a building or part of a building held by the Company to earn rentals or for capital appreciation or both.

Investment property is initially measured at cost, including transaction costs. Such cost does not include start-up costs, abnormal waste, or initial operating losses incurred before the investment property achieves the planned level of occupancy.

The cost model is applied in accounting for investment property. The investment property is recorded at cost less any accumulated depreciation and accumulated impairment losses.

ii. **Subsequent expenditure**

The cost of replacing a part of an item of investment property is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of investment property are recognised in profit or loss as incurred.

iii. **Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of the investment property which reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	–	20 years
• Leasehold land	–	Unlimited

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

iv. **Transfers**

Transfers to, or from, investment property are made when there is a change in use, evidenced by:
- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- commencement of an operating lease to another party, for a transfer from inventories to investment property.

Transfers to, or from, investment property does not change the carrying amount of the property transferred, and they do not change the cost of the property for measurement or disclosure purposes.

Notes to the Financial Statements
For the period ended 31 December 2022

G. Impairment

Non-derivative financial assets

i. Financial instrument

The Company's financial assets consist of cash and cash equivalent, trade receivables and other financial assets,

The Company recognises loss allowances for expected credit loss (ECL) on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 60 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For cash and cash equivalent and other financials assets the applies a general approach in calculating the ECLs. The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade.

ii Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

iii Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 60 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

iv Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

v Write off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Notes to the Financial Statements
For the period ended 31 December 2022

H. Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, an entity discloses the contingent asset.

I. Provisions

A provision is recognised, if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost in profit or loss.

J. Employee benefits

i. Defined contribution plan

A defined contribution plan is a post-employment benefit plan (pension fund) under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for all employees. The Company and its employees contribute a minimum of 10% and 8% of the employees annual basic salary, housing and transport allowances respectively to the scheme. Employee contributions to the scheme are funded through payroll deductions while the Company’s contributions are charged to profit and loss.

On 1 January 2016, the Company increased the employer contributions to the scheme to 15% of employee's annual basic salary, housing and transport allowances.

ii. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided in profit or loss.

A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

iii. Termination benefits

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Notes to the Financial Statements

For the period ended 31 December 2022

Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

K. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventory includes expenditure incurred in acquiring the inventory, production or conversion costs and other costs incurred in bringing them to their existing location and condition. The basis of costing is as follows:

Raw materials, non-returnable packaging materials and consumable spare parts	– purchase cost on a weighted average basis including transportation and applicable clearing charges.
Finished products and products-in-process	– weighted average cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity.
Goods in transit	– Purchase cost incurred to date

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of

conversion and selling expenses. Allowance is made for obsolete, slow moving or defective items where appropriate.

L. Revenue by nature

(i) Revenue from contract with customers

a Sale of paints and allied products

Revenue from the sale of goods in the course of ordinary activities represents sale of paints and allied products and is measured at the fair value of the consideration received or receivable, net of value added tax, sales returns, trade discounts and volume rebates.

Revenue is recognised when the goods are delivered and have been accepted by customers. The Company allocates a portion of consideration received to loyalty points as applicable. The allocation is based on the relative stand alone selling prices. The amount allocated to the loyalty program is deferred, and is recognised as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points become remote. The deferred revenue is included in contract liabilities.

b Contract services - supply and apply services contract

Supply and apply services contract revenue results from rendering painting services to customers. These services are rendered based on specific negotiated contracts with the customers.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

Revenue is recognized overtime on basis of the Company's cost incurred relative to the total expected cost for the satisfaction of the performance obligation. The related cost are recognised in profit or loss when they are incurred.

Advances received are included in contract liabilities and presented as part of trade and other payables. Unbilled receivables for services rendered are included as contract assets and presented as part of trade and other receivables.

(ii) Investment property rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from other properties are recognised as other income.

M. Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income, gains on re-measurement of financial assets measured at amortised cost, and reclassification of net gains previously recognised in OCI. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

Notes to the Financial Statements
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Finance costs comprise interest expense on lease and other financial liabilities and impairment losses recognised on financial assets (other than trade receivables). Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance

income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

N. Government grant

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

O. Taxation

Income tax

Income tax expense comprises current tax (Company Income Tax, Tertiary Education Tax, Nigeria Police Trust Fund levy and Capital gains tax) and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. The Company had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

(a) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Company Income Tax is computed on taxable profits; Tertiary Education Tax is computed on assessable profits while the Nigeria Police Trust Fund is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the Company during the year). Income tax assets/liabilities are presented in the statement of financial position net of withholding taxes.

The Company offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realised.

(b) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for unutilised tax losses, unutilised tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be utilised.

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Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if, and only if the Company:

(a) has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

• the same taxable entity; or

• different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such determination is made.

(c) Minimum tax expense

The Company is subject to the Finance Act 2020 which amended the Company Income Tax Act (CITA). Total amount of tax payable under the Finance Act is determined based on the higher of two components; Company Income Tax (based on taxable income (or loss) for the year); and Minimum tax (determined based on 0.25% of qualifying Company's turnover less franked investment income). Taxes based on taxable profit for the period are treated as income tax in line with IAS 12; whereas Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss. The liability is recognised under current tax liabilities in the statement of financial position.

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognized in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as Minimum tax expense.

P. Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held (if any). Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held (if any), for the effects of all dilutive potential ordinary shares.

Q. Leases

i. As a lessee

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asses or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use is subsequent depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use assets will be depreciated over the useful life of the underlying assets, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted or certain re-measurements of the lease liability.

Notes to the Financial Statements
For the period ended 31 December 2022

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses interest rate implicit in the lease liability agreement as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commence date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease the Company is reasonably certain not to terminate early.

The lease liability is measured at armotised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of wether it will exercise a purchase, extension or terminate option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment and lease liabilities in loans and borrowings in the statement of financial position. Right of use assets comprises motor vehicles under lease and leasehold land.

Short-term leases and leased of low-value assets.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accountings for its interests in the head lease and the sub-lease separately. It assesses the classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classified the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognizes lease payments received under operating leases as income in profit or loss on a straight - line basis over the lease term

R. Statement of cashflows

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows such as translation differences, and other non-cash items, have been eliminated for the purpose of preparing the statement. Dividend paid to ordinary shareholders are included in financing activities while finance income received is included in investing activities.

Notes to the Financial Statements
For the period ended 31 December 2022

S. Operating Segment

An operating segment is a distinguishable component of the Company that earns revenue and incurs expenditure from providing related products or services (business segment), or providing products or services within a particular economic environment (geographical segment), and which is subject to risks and returns that are different from those of other segments.

The Company’s primary format for segment reporting is based on business segments. The business segments are determined by management based on the Company’s internal reporting structure.

All operating segments' operating results are reviewed regularly by the Management Committee, which is considered to be the chief operating decision maker for the Company, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Company's Management Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

T. Dividends

Dividend payable is recognised as a liability in the period in which they are declared and the shareholders right to receive payment has been established.

U. Prepayments and advances

Prepayments and advances are non-financial assets which result when payments are made in advance of the receipt of goods or services. They are recognized when the Company expects to receive future economic benefits equivalent to the value of the prepayment. The receipt or consumption of the goods or services results in a reduction in the prepayment and a corresponding increase in expenses (assets) for that reporting period.

V. Deposit for imports

Deposit for imports are non-financial assets which result when letters of credit are opened with the bank for the importation of raw materials and plant and machinery. They are recognized when the Company expects to receive future economic benefits equivalent to the value of the deposit made.

W. Investment in subsidiary

Subsidiaries are entities controlled by the Company. Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company’s statement of financial position. Where the recoverable amount of the investment is less than the carrying amount, an impairment is recognized in profit or loss. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognized in profit or loss.

X. Related parties

Related parties include the Company's shareholders, directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Company. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Related parties transactions of similar nature are disclosed in aggregate except where separate disclosure is necessary for understanding of the effects of the related party transactions on the financial statements of the entity.

Y. New standards and interpretations not yet adopted

Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2021 and early application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

These include the following standards and interpretations that are applicable to the business of the Company but are not expected to have a significant impact on the Company's financial statements.

Notes to the Financial Statements

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Standards and interpretations cont'd

(i) Standards issued but not yet effective.

A. Onerous contracts: Cost of Fulfilling a Contract (Amendments to IAS 37) - Effective 1 January 2022

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group has determined that all contracts existing at 31 December 2021 will be completed before the amendments become effective.

B. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

C. Other Standards

The following new and amended standards are not expected to have a significant impact on the Company's financial statements.

i. Amendments to IAS 16; Property, Plant and Equipment: Proceeds before intended use.

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before its intended use by management. As such, proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs. Companies will therefore need to distinguish between:

• costs associated with producing and selling items before the item of property, plant and equipment is available for use; and

• costs associated with making the item of property, plant and equipment available for its intended use. Making this allocation of costs may require significant estimation and judgement. The amendments also clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance – e.g. assessing whether the PPE has achieved a certain level of operating margin The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

ii. Amendments to IAS 1; Classifications of liabilities as current and non- current

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement. The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. The amendments also clarify how a company classifies a liability that includes a counterparty conversion option, which could either be recognised as either equity or liability separately from the liability component under IAS 32 Financial Instruments: Presentation The standard is effective for annual periods beginning on or after 1 January 2023.

iii. Amendments to IAS 1 and IFRS Practice Statement 2- Disclosure Initiative: Accounting Policies

The amendments were issued in February 2021 to assist companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

• requiring companies to disclose their material accounting policies rather than their significant accounting policies;

• clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

• clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements;

The amendments are consistent with the refined definition of material: "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements". The amendments are effective from 1 January 2023.

Notes to the Financial Statements

For the period ended 31 December 2022

iv. Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

When a parent loses control of a subsidiary in a transaction with an associate or joint venture (JV), there is a conflict between the existing guidance on consolidation and equity accounting. Under the consolidation standard, the parent recognises the full gain on the loss of control. But under the standard on associates and JVs, the parent recognises the gain only to the extent of unrelated investors' interests in the associate or JV. In either case, the loss is recognised in full if the underlying assets are impaired. The IASB has decided to defer the effective date for these amendments indefinitely.

v. Amendments to IAS 8

This amendment provides clarifications to companies on how to distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The amendment introduces a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarifies the following:

• an entity develops an accounting estimate to achieve the objective set out by an accounting policy.

• developing an accounting estimate includes both selecting a measurement technique (estimation or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique.

• a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

• a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period.

The effect, if any, on future periods is recognised as income or expense in those future periods. The definition of accounting policies remains unchanged. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

vi. Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41- Annual Improvements 2018 - 2020

• IFRS 1 First Time Adoption of International Financial Reporting Standards - The amendment permits a subsidiary (as a first-time adopter of IFRS that applies IFRS later than its parent) that applies IFRS 1.D16(a) to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

• IFRS 9 Financial Instruments - The amendment clarifies that for the purpose of performing the ''10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

• IFRS 16 Leases – The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.

• IAS 41 Agriculture - The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

Notes to the Financial Statements
For the period ended 31 December 2022

4 Changes in Significant Accounting Policies

The Company has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements. These policies have been consistently applied to all the years presented unless otherwise stated.

5 Revenue

(a) Revenue stream for the period comprises:

In thousands of naira	**Recognition policy**	**12 Mths to 31 Dec 2022**	**12 Mths to 31 Dec 2021**
(i) Revenue from contract with customers			
- Sale of paints and allied products*	At a point in time	6,192,495	4,857,243
- Contract services	Over time	133,330	107,553
		6,325,825	**4,964,796**

*Revenue from sale of paints and allied products for the year comprises:

In thousands of naira	**2022**	**Dec 2021**
Revenue (net of value added tax)	7,544,251	5,880,938
Discounts and rebates	(1,351,756)	(1,028,043)
	6,192,495	**4,852,895**

Nigeria is the Company's primary geographical segment as all sales in the current and prior year were made in the country.

(b) Contract balances

The Company's contract balance comprises of trade receivables from contract with customers and is included in trade and other receivables (Note 18(a)). The balance is analysed as follows:

In thousands of naira	**2022**	**2021**
Billed receivables in respect of sales of paints and allied products	91,847	302,127
Unbilled receivables in respect of contract services	(2,563)	2,160
Trade receivables (Note 18(a))	**89,284**	**304,287**

(c) Revenue included in contract liability balance at the beginning of the year

The revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was nil (2021: Nil).

6 Other income

Other income comprises:

In thousands of naira	**2022**	**Dec 2021**
Sale of Scrap	18,348	11,010
Income on property leases*	52,791	38,467
Profit from disposal of property, plant and equipment	0	21,235
Income from enrolment of new distributors	0	4,312
Raw material sales and others	9,754	
	80,893	**75,024**

*This represents income earned from leases of an insignificant portion of the Company's building properties to third parties.

Notes to the Financial Statements
For the period ended 31 December 2022

7 Finance income and finance cost

Recognised in profit or loss:

In thousands of naira	**2022**	**2021**
Interest income on bank deposits		543
Interest income on other financial assets		15,552
Foreign currency exchange gain	22	7,961
Net gain on financial liabilities measured at amortised costs	0	2,787
Total finance income	**22**	**26,843**
Interest expense on lease liabilities	(3,011)	(15,187)
Interest expense on financial liabilities measured at amortised costs.	(12,540)	(20,439)
Total finance cost	**(15,551)**	**(35,626)**
Net finance income recognised in profit or loss	**(15,529)**	**(8,783)**

8 Profit before income tax

Profit before tax is stated after charging:

In thousands of naira	Note	**2022**	**2021**
Directors' emoluments	9(a)	56,648	87,394
Depreciation	9(b)	241,647	243,486
Amortisation	15	19,318	16,426
Personnel expenses	10(a)	710,322	686,092
Auditors' remuneration	9(a)	20,996	23,000
Impairment loss on trade receivables	18(b)	0	8,145
Minimum tax	12	0	12,672
Profit on disposal of property, plant and equipment	6	0	21,235

9 (a) Expenses

(i) Analysis of expenses by nature

In thousands of naira	Note	**2022**	**2021**
Directors emoluments	10(d)	56,648	87,394
Personnel expenses	10(a)	710,322	686,092
Training expenses		1,340	4,174
Repairs and maintenance		101,380	75,970
Office and corporate expenses		77,209	51,092
License and permits		29,257	24,290
Utilities		123,548	74,151
Insurance		22,295	15,422
Travel, transport and accommodation		96,416	87,594
Rent, rate and levies		1,544	10,539
Subscriptions and donations		6,062	7,481
Depreciation	9(b)	241,647	243,486
Amortisation	15	0	16,426
Printing and stationery		26,495	16,366
Legal and professional services fees		98,802	65,708
Auditors' remuneration		20,996	23,000
Other receivables written off		-	-
Bank charges		11,472	6,439
Advertisement and publicity expenses		70,940	65,270
Distribution expenses		236,993	196,495
Raw materials and consumables	9a(iii)	3,866,210	3,056,751
Contract services expenses		103,745	20,287
		5,903,321	**4,834,427**

In thousands of naira	**2022**	**2021**
Summarised as follows:		
(ii) Cost of sales	4,262,595	3,382,076
Selling and distribution expenses	307,933	261,765
Administrative expenses	1,332,792	1,190,586
Total cost	**5,903,320**	**4,834,427**

Notes to the Financial Statements
For the period ended 31 December 2022

(iii) Raw materials and consumables mainly relate to other material cost, finished goods, stock adjustment, research and development cost, cost variance and overhead recovery cost.

In thousands of naira	**2022**	**2021**
Summarised as follows:		
Finished Goods	4,171,935	3,336,197
Other material cost	972	156,222
Stock Adjustment	-	0
Cost variance	5,248	(34,842)
Overhead Recovery cost	(322,229)	(402,586)
Research & Developmemt cost	2,035	1,760
Total Raw materials and consumables	**3,857,962**	**3,056,751**

(b) Depreciation

In thousands of naira	Note	**2022**	**2021**
Depreciation charged for the year comprises:			
Depreciation of property, plant and equipment	14	222,137	222,700
Depreciation of investment property	16	20,360	20,786
Total depreciation		**242,497**	**243,486**

10 Personnel expenses

(a) Personnel expenses, including remuneration of the executive director during the year comprises:

In thousands of naira	**2022**	**2021**
Salaries, wages and allowances	697,198	647,595
Employer contribution to compulsory pension fund scheme	13,124	38,497
	710,322	**686,092**

(b) Number of employees of the Company at year end, whose duties were wholly or mainly discharged in Nigeria, received annual remuneration (excluding pension contributions and certain benefits) in the following ranges:

			2022	**2021**
₦		₦	Number	Number
500,001	-	1,000,000		3
1,000,001	-	1,500,001	9	15
1,500,001	-	2,000,001	23	47
2,000,001	-	3,000,001	48	35
3,000,001	and	above	47	33
			127	**133**

(c) The number of persons employed as at year end are:

	2022	**2021**
	Number	Number
Production	21	23
Sales and marketing	41	48
Finance & HR	6	10
Admin/Control	4	12
Maintenance	6	6
Corporate	12	5
Logistic & Supply chain	16	13
Information Technology (IT)/CSR	2	2
Technical & Compliance	13	9
Safety & Security	6	5
	127	**133**

(d) Remuneration paid to non- executive directors of the Company and charged to the profit or loss are as follows:
The fees paid to non executive Directors for the year includes retirement benefits paid to three (3) retired Directors within the year amounted to 2022: Nil , (2021: N20.3million) .

In thousands of naira	**2022**	**2021**
Fees paid to non-executive directors	56,648	87,394
	56,648	87,394

Notes to the Financial Statements
For the period ended 31 December 2022

The directors' remuneration shown above includes:

In thousands of naira	2022	2021
Chairman (Highest paid Director)	6,000	6,000

Other directors received emoluments in the following ranges:

₦		₦	2022	2021
			Number	Number
250,001	-	1,000,000	-	-
1,000,001	-	3,000,000	-	-
3,000,001	-	5,000,000	6	6
5,000,001	-	8,000,000	1	1
			7	7

11 Taxation

(a) The tax charge for the year has been computed after adjusting for certain items of expenditure and income which are not deductible or chargeable for tax purposes, and comprises:

In thousands of naira	2022	2021
Current tax expense:	140,253	
Nigeria Police Trust Fund Levy (NPTF)		8
Tertiary education tax	11,688	8,614
Charge/(credit) for the year	151,940	8,622
WHT credit recovered	-	-
	151,940	8,622
Deferred tax expense:		
Origination and reversal of temporary differences (Note 11(d))	-	33,832
Income tax expense	**151,940**	**42,454**

(b) Reconciliation of effective tax rate:

In thousands of naira	%	2022	%	2021
Profit for the year		315,570		135,635
Taxation		151,940		42,454
Profit before taxation		467,510		178,089
Income tax using the Company's domestic rate	30	140,253	30	53,427
Tertiary education tax @ 2.5%	2.5	11,688	2	4,452
Effect of NPTF levy	-		-	8
- Non-deductible expenses	0		1	5,072
- Tax exempt income	0		(9)	(2,412)
- Tax incentives	0		(1)	(2,550)
- Other tax differences	0		7	(15,543)
Tax expense	**32**	**151,940**	**30**	**42,454**

(c) The movement in the tax payable

Current tax liabilities

In thousands of naira	2022	2021
Balance as at 1 January	8,622	30,835
Current year charge	151,940	8,622
Minimum tax charge	0	12,672
Cash payments	(13,323)	(6,856)
Set-off of current assets	25,236	(36,652)
Balance as at year end (A)	**172,475**	**8,622**
Total net current tax assets/liabilities as at 31 December 2022 (A-B)	**(77,677)**	**11,498**

ii. WHT credit notes

Balance, beginning of the year	20,120	
Additions	49,441	56,772
Set-off of current assets	25,236	(36,652)
Balance as at year end (B)	**94,798**	20,120

Notes to the Financial Statements
For the period ended 31 December 2022

(d) Movement in deferred taxation
In thousands of naira

	Balance at 1 January	Recognised in profit or loss	Net	Deferred tax assets	Deferred tax liabilities
31 December 2022					
Property, plant and equipment	390,099		390,099	-	390,099
Allowance on trade receivable	(55,186)		(55,186)	(55,186)	-
Right of use assets	14,012		14,012	-	14,011
Provision for gratuity discontinued	(713)		(713)	(713)	-
Provision for slow moving inventories	(24,963)		(24,963)	(24,963)	-
Net tax (assets)/ liabilities	**323,249**	**-**	**323,248**	**(80,862)**	**404,109**
31 December 2021					
Property, plant and equipment	363,651	26,448	390,099	-	363,651
Allowance on trade receivable	(52,096)	(3,090)	(55,186)	(55,186)	-
Right of use assets	4,667	9,345	14,012	-	14,011
Provision for gratuity discontinued	(713)	-	(713)	(713)	-
Provision for slow moving inventories	(25,609)	646	(24,963)	(24,963)	-
Net tax (assets)/ liabilities	**289,900**	**33,349**	**323,249**	**(80,861)**	**377,663**

12 Minimum tax

Minimum tax in current year has been computed based on 0.25% of turnover in line with the Finance Act, 2020 and this amounts to ₦…. million (2021: ₦12.7million).

Minimum tax Comprises:

In thousands of naira	2022	2021
Minimum tax	**12,672**	**12,672**
Tax Credit	**-**	**-**
Minimum tax expenses	**12,672**	**12,672**

13 Basic and diluted earnings per share

Basic earnings per share of 109 kobo (31 December 2021: 47 kobo) is based on the profit for the year of ₦316 million (31 December 2021: ₦136 million) and on 289,823,447 (2021: 289,823,447) ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the year.

Basic earnings per share is the same as diluted earnings per share.

Notes to the Financial Statements
For the period ended 31 December 2022

14 Property Plant and equipment

(a) The movement on these accounts was as follows:
In thousands of naira

	Note	Leasehold Land N'000	Buildings N'000	Plants and Machinery N'000	Furniture and fittings N'000	Motor Vehicles N'000	Computer Equipment N'000	Motor Vehicles under Lease N'000	TOTAL N'000
Cost									
Balance at 1 January 2021		390,000	1,303,887	1,502,189	64,552	233,653	132,898	182,350	3,809,529
Additions		-	6,313	49,172	1,195	2,571	35,839	-	95,090
Disposals/write-off		-	-	(6,788)	-	(87,429)	(1,952)	-	(96,169)
Balance at 31 December 2021		**390,000**	**1,310,200**	**1,544,573**	**65,747**	**148,795**	**166,785**	**182,350**	**3,808,450**
Balance at 1 January 2022		390,000	1,310,200	1,544,573	65,747	148,795	166,785	182,405	3,808,505
Additions		-	3,160	15,713	3,508	13,956	5,807	2,631	44,775
Disposals									0
Balance at 31 December 2022		**390,000**	**1,313,360**	**1,560,286**	**69,255**	**162,751**	**172,592**	**185,036**	**3,853,280**
Accumulated depreciation									
Balance at 1 January 2021		78,081	301,411	288,586	42,377	203,747	88,253	49,851	1,052,306
Charge for the year	*9(b)*	-	65,313	75,054	6,615	13,579	21,050	41,089	222,700
Disposals		-	-	(6,788)	-	(83,589)	(1,952)	-	(92,329)
Balance at 31 December 2021		**78,081**	**366,724**	**356,852**	**48,992**	**133,737**	**107,351**	**90,940**	**1,182,677**
Balance at 1 January 2022		78,081	366,724	356,852	48,992	133,730	108,678	90,946	1,184,003
Charge for the year	*9(b)*	-	69,945	75,576	6,932	25,388	20,599	23,697	222,137
Disposals		-	-	-	-		-		-
Balance at 31 December 2022		**78,081**	**436,669**	**432,428**	**55,924**	**159,118**	**129,277**	**114,643**	**1,406,140**
Carrying amounts									
At 31 December 2021		**311,919**	**943,476**	**1,187,721**	**16,755**	**15,058**	**59,434**	**91,410**	**2,625,773**
At 31 December 2022		**311,919**	**876,691**	**1,127,858**	**13,331**	**3,633**	**43,315**	**70,393**	**2,447,140**

Notes to the Financial Statements

For the period ended 31 December 2022

(b) **Assets pledged as security**

No asset of the Company was pledged as security for loan as at 31 December, 2022 (December 2021: Nil)

(c) **Impairment of property, plant and equipment**

No impairment loss was recognised for the year (2021: Nil).

(d) **Capital commitments**

Capital expenditure commitments for the year ended 31 December 2022 authorised by the Board of Directors comprise:

In thousands of naira	**2022**	**2021**
Approved but not contracted	178,032	178,032
	178,032	**178,032**

No Capitalised borrowing cost

(e) **Property, plant and equipment under construction**

There are no property, plant and equipment under construction (2021:Nil)

(f) **Right of use assets**

Right of use assets comprises leasehold land and motor vehicles under finance leases.

The leasehold land is held under lease arrangements for a minimum lease term of 99 years. The classification of the lease of land as a finance lease is on the basis that the lease transfers substantially all of the risks and rewards incidental to ownership of the land to the Company. The lease amounts were fully paid at the inception of the lease.

(g) **Additions in statement of cash flows**

In thousands of naira	**2022**	**2021**
Additions (Note 14(a))	44,775	44,775
Additions to Right of Use assets (Motor vehicles under lease)	(2,631)	(2,631)
	42,144	42,144

Notes to the Financial Statements
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15 **Intangible assets** **Intangible assets under development**

In thousands of naira	*Note*	Computer Software	Intangible assets under development	Total
Cost				
Balance at 1 January 2021		80,810	28,138	108,948
Additions		28,138	(28,138)	0
Balance at 31 December 2021		**108,948**	**0**	**108,948**
Balance at 1 January 2022		108,948	-	108,948
Additions		28,138	(28,138)	-
Balance at 31 December 2022		**108,948**	**-**	**108,948**
Accumulated amortisation				
Balance at 1 January 2021		56,370	-	56,370
Charge for the year	*9(a)*	16,426	-	16,426
Balance at 31 December 2021		**72,796**	-	**72,796**
Balance at 1 January 2021		71,469	-	71,469
Charge for the year	*9(a)*	19,318	-	19,318
Balance at 31 December 2022		**90,787**	**-**	**90,787**
Carrying amounts				
At 31 December 2021		**36,152**	**0**	**36,152**
At 31 December 2022		**18,161**	**-**	**18,161**

The Company's intangible assets represent cost of Microsoft Navision ERP applications licence and technical agreement. The Microsoft Navision ERP application was acquired and available for use in September 2017. The cost is amortised to profit or loss over a period of five years.

Intangible assets amortisation charged to profit or loss for the year amounts to ₦19.32million (2021: ₦16.43million) and is included as part of administrative expenses.

Notes to the Financial Statements
For the period ended 31 December 2022

16 Investment property

The movement on this account was as follows:

In thousands of naira	**2022**	**2021**
Cost		
Balance at 1 January	604,468	604,468
Balance at 31 December	**604,468**	**604,468**
Accumulated depreciation		
Balance at 1 January	222,234	201,448
Charge for the year	20,360	20,786
Balance at 31 December	**242,594**	**222,234**
Carrying amounts at year ended	**361,874**	**382,234**

Investment property comprises the Company's land and building at Abuja (hereinafter referred to as Berger Paints Plaza). The Company completed and commissioned the Berger Paints Plaza in November 2013. The Berger Paints Plaza is made up of 2,196 square meters of trade shops and offices available for commercial rent. The property has been leased to third parties and is managed on behalf of the Company by Gauge Construction Servicing Limited.

Each of the leases contains an initial non-cancellable period of one (1) year. No contingent rents are charged.

Rental income generated from investment property recognised during the year was ₦6.06 million (2021: ₦4.35million).

Direct operating expenses (included in repairs and maintenance expenses) arising from investment property that generated rental income during the year was Nil (2021: Nil)

Depreciation of ₦20.79 million (31 December 2021: ₦20.79 million) charged on investment property for the year was included in cost of sales

The fair value of the investment property as at year-end is ₦2.35 billion (31 December 2021: ₦2.35 billion). The fair value was determined by an external, independent property valuer (Jide Taiwo and Co.) with the Financial Reporting Council of Nigeria (FRC) No: FRC/2012/0000000000254. The fair value measurement of investment property has been categorised as a Level 2 fair value based on the input to the valuation techniques used.

17 Inventories

(a) *In thousands of naira*

	2022	**2021**
Raw and packaging materials	957,146	919,804
Finished products	401,935	255,108
Product-in-process	11,609	16,647
Consumable spare parts	34,801	53,062
	1,405,491	1,244,621
Obsolescence Provision	(29,022)	(78,005)
	1,376,469	**1,166,616**

The value of raw and packaging materials, changes in finished products and products in process consumed during the year and recognised in cost of sales amounted to ₦3.97 billion (2021:₦2.95 billion). No reduction in the carrying amount of inventories in the current year (2021: Nil) as there is no occassion giving rise to write-down of inventory to net realisable value.

(b) Reconciliation of changes in Inventory included in statement of cash flows is as follows:

In thousands of naira

	2022	**2021**
Movement in Inventory	(209,853)	(464,322)
Changes in trade and other receivables per statement of cash flows	**(209,853)**	**(464,322)**

Notes to the Financial Statements
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18 Trade and other receivables comprises:

Trade and other receivables comprises:

(a)

In thousands of naira	**2022**	**2021**
Trade receivables (Note 5(b))	91,847	302,127
Lease receivable	83,688	83,688
Staff debtors	1,349	1,946
Receivable from Company's registrar	81,036	81,036
Contract assets	(2,563)	2,160
Other receivables	5,056	7,011
	260,413	477,968
Swift Painting Nigeria Limited	23,827	0
Impairment allowance	(172,451)	(164,306)
Carrying amount as at year ended	**111,789**	**305,517**

The Company's exposure to credit and currency risks related to trade and other receivables is disclosed in Note 30(b).

(b) The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

In thousands of naira	**2022**	**2021**
Balance at 1 January	172,451	164,306
Net impairment loss recognised	-	8,145
Balance at 31 December	**172,451**	**172,451**

(c) Reconciliation of changes in trade and other receivables included in statement of cash flows is as follows:

In thousands of naira	**2022**	**2021**
Movement in trade and other receivables	193,728	11,864
Exchange gain	22	7,961
Changes in trade and other receivables per statement of cash flows	**193,750**	**19,825**

19 Deposit for imports

The deposit for imports represents amounts deposited with banks to fund letters of credit. These letters of credit are meant to finance the importation of raw materials.

Deposit for imports comprises:

(a)

In thousands of naira	**2022**	**2021**
Deposit for Imports	87,925	2,674
	87,925	**2,674**

(b) Reconciliation of changes in deposit for imports included in statement of cash flows is as follows:

In thousands of naira	**2022**	0-Jan **2021**
Movement in deposit for imports	(85,251)	63,162

20 Prepayments and advances

Prepayments and advances comprises:

In thousands of naira	**2022**	**2021**
		0
Prepaid rent	-	-
Advance payment to suppliers	0	17,079
Prepaid insurance and others	49,982	19,267
	49,982	**36,346**

There were no non-current prepayments and advances made at year-end (2021:Nil)

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For the period ended 31 December 2022

(a) Reconciliation of changes in prepayments and advances included in statement of cash flows is as follows:

In thousands of naira

	2022	2021
Movement in prepayment and advances	(13,636)	13,223
Movement in WHT credit notes	(94,798)	(20,120)
Changes in prepayments and advances per statement of cash flows	**(108,434)**	**(6,897)**

21 Cash and cash equivalents

Cash and cash equivalents comprises:

In thousands of naira	2022	2021
Cash on hand	195	317
Balance with banks	524,996	217,312
Cash and cash equivalents	**525,191**	**217,629**

The Company's exposure to credit and market risk for financial assets is disclosed in Note 30(b).

22 Other financial assets

This represents unclaimed dividend returned by the Company's registrar and invested in Fixed Deposit.

As at 31 December 2022, the investment is analysed as stated below:

	2022	2021
At 1 January	317,608	267,371
Additions	(26,829)	34,685
Interest income	0	15,552
At 31 December	**290,779**	**317,608**

The Company's exposure to credit and market risk for financial assets is disclosed in Note 30(b).

23 Capital and reserves

(a) Ordinary shares as at 31 December

In thousands of naira	2022	2021
Authorised 800,000,000 ordinary shares of 50k each	400,000	400,000
Issued and fully paid 289,823,447 ordinary shares of 50k each	144,912	144,912

(b) Share premium

In thousands of naira	2022	2021
At 1 January	635,074	635,074
At 31 December	**635,074**	**635,074**

24 Trade and other payables

(a) Trade and other payables comprises:

In thousands of naira	2022	2021
Trade payables	637,567	456,682
Customer deposits for paints	9,200	152,340
Statutory payables	125,555	73,404
Related party payables (Note 29 (a))	0	7,075
Short term employee payables (Note (c))	-	0
Pension payable (Note (b))	5,931	5,216
Contract liabilities	-	-
Accruals	145,971	192,902
Other payables	30,788	31,166
	955,012	**918,785**

The Company’s exposure to liquidity risks related to trade and other payables is disclosed in Note 30(b).

Notes to the Financial Statements
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(b) ***Pension payable***

In thousands of naira	2022	2021
Balance at 1 January	5,216	9,382
Charge for the year	66,623	60,488
Remittances	(65,907)	(64,654)
Balance at 31 December	**5,931**	**5,216**

(c) Reconciliation of changes in trade and other payables included in statement of cash flows

In thousands of naira	2022	2021
Movement in trade and other payable	36,227	(100,220)
Changes in trade and other payables per statement of cash flows	**36,227**	**214,416**

25 Deferred income

Deferred income comprises:

In thousands of naira	2022	2021
Government grant (note (a))	68,422	68,422
Lease income received in advance	26,073	51,625
Deferred income	**94,494**	**120,047**
Non-current	61,458	109,298
Current	33,036	10,749
	94,494	**120,047**

(a) Government grant arises as a result of the benefit received from below-market-interest rate government assisted loans, obtained from the Bank of Industry to purchase items of buildings and plant &machinery for the installation of the automated water based paint production factory. The production plant was completed and became available for use on 30 December, 2019. The grant will be amortised on a systematic basis over the average useful life of the components of the items of buildings and plant & machinery.

Unwinding of the government grant has been recognised in profit or loss for the year ended 31 December 2021: N2.74million (2021: N2.74million)

26 Loans and borrowings

In thousands of naira

31 December 2022	Non-current liabilities	Current liabilities	Total
Bank of Industry loan	0	25,131	25,131
Lease liability	-	(0)	(0)
	0	**25,131**	**25,131**

31 December 2021	Non-current liabilities	Current liabilities	Total
Bank of Industry loan	7,875	89,820	97,695
Lease liability	0	47,678	47,678
	7,875	**137,498**	**145,373**

Information about the Company's exposure to interest rate, foreign currency and liquidity risks is included in Note 30(b).

(a) **Terms and repayment schedule**

				31 December 2022		**31 December 2021**	
In thousands of naira	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face Value**	**Carrying amount**	**Face Value**	**Carrying amount**
(i) Bank of Industry loan	NGN	10%	2023	0	25,131	105,223	97,695

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(ii) Lease liability 1	NGN	18%	2022	0	(0)	15,131	15,131
(iii) Lease liability 2	NGN	15%	2022	0	0	32,547	32,547
Total interest-bearing loans				**0**	**25,131**	**152,901**	**145,373**

(i) **Bank of Industry Loan**

The loan is a Central Bank of Nigeria (CBN) intervention fund through Bank of Industry (BOI), which is secured by a "duly executed Negative Pledge" (Bank Guarantee) in favour of Fidelity Bank Plc. The applicable interest rate is 10% per annum. The loan is repayable in seventy monthly instalments (including a twelve months moratorium between March 2017 to February 2018) at various dates between March 2018 to March 2023.

For the year ended 31 December 2022, net interest expense of ₦12.54 million which accrued on the facility, was charged to Profit or loss (2021:₦20.44 million was expensed to Profit or loss).

(ii) **Lease liability**

The lease was provided by Financial Derivatives Company Limited for eighteen (18) motor vehicles, required for replacement of aged sales field force vehicles and part for administrative/operational use. The applicable lease interest rate is 18% per annum, it is repayable in thirty six (36) monthly equal instalments at various dates between September 2019 to August 2022. In 2020, the Company entered into a lease arrangement for the procurement of one (1) motor vehicles for a lease interest rate of 15% per annum, it is repayable in twenty four (24) monthly equal instalments at various dates between May 2020 to May 2022.

As at 31 December 2022, interest expense and related charges of ₦3.011 million (2021: ₦15.19 million) was due on the lease facility and recognised in profit or loss. The total cash outflows in respect of principal and interest lease payments was ₦52.23million (2021: ₦70.07 million) and is included as part of repayment of borrowings in the statement of cashflows. No addition to lease liability in the current year.

(b) **Movement in loans and borrowings**

in thousands of naira	**2022**	**2021**
Balance, beginning of year	145,373	286,651
Additions	(1,560)	0
Repayment of principal	(118,682)	(153,746)
Repayment of interest		(20,371)
Net gain on financial liabilities measured at amortised costs	-	(2,787)
Interest accrued in profit or loss		35,626
Balance, end of the year	**25,131**	**145,373**

27 Dividends

The following dividends were declared and paid by the Company;

	Per share (kobo)	**2022 N'000**	**Per share (kobo)**	**Per share (kobo)**
Declared Dividend	40	115,929	25	25

This represents the dividend proposed for the preceding year, but declared in the current year.

28 Dividend payable

The movement in dividend payable is as follows:

In thousands of naira	**2022**	**2021**
At 1 January	363,407	438,118
Declared dividend	115,929	115,929
Write back of statute barred dividend	0	(64,025)
Payments	(115,929)	(126,615)
At 31 December 2022	**363,407**	**363,407**

Notes to the Financial Statements

For the period ended 31 December 2022

29 Related Parties

Related parties include the Company's shareholders, directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Company. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

A. Transactions with key management personnel

Key management personnel compensation comprised the following:

In thousands of naira	2022	2021
Short-term benefits	144,294	144,294
Post employment benefits	6,299	6,299
	150,593	**150,593**

The aggregate value of transactions and outstanding balances related to key management personnel and other related parties were as follows.

Related Party	Nature of transaction	Transaction values		Balance Payable	
		2022	2021	2022	2021
		N'000	N'000	N'000	N'000
Emychem Limited	Supply of raw materials	47,991	47,991	(7,075)	(10,619)
Clayton Finance Limited	Supply of raw materials	-	0	-	-
		47,991	47,991	(7,075)	(10,619)

Emychem Limited

During the year, the Company bought various raw materials from Emychem Limited. The Managing Director of Emychem Limited is Mr. Raj Mangtani and is also a non-executive director on the Board of Directors of Berger Paints Nigeria Plc.

B. Other related party transactions

The Company incorporated a subsidiary in Ghana, Lewis Berger Ghana Limited, on 23 October 2013. As at 31 December 2022, the subsidiary remained dormant and had not commenced operations. The Company has not prepared consolidated financial statements on the account of materiality.

30 Financial instruments – Fair values and financial risk management

(a) **Classification of financial instruments and fair values**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. As at 31 December 2022, the Company did not have financial assets and liabilities measured at fair value through other comprehensive income or fair value through profit or loss.

31 December 2022		Fair value			
In thousands of naira	**Amortized Cost**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value					
Other financial assets	290,779	-	290,779	-	290,779
Trade and other receivables	111,789	-	111,789	-	111,789
Cash and cash equivalents	525,191	-	525,191	-	525,191
	927,759	**-**	**927,759**	**-**	**927,759**
Financial liabilities not measured at fair value					
Loans and borrowings	25,131	-	0	-	-
Trade and other payables*	668,355	-	668,355	-	668,355
Dividend payable	363,407	-	363,407	-	363,407
	1,056,893	**-**	**1,031,761**	**-**	**1,031,762**

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31 December 2021		**Fair value**			
In thousands of naira	**Amortized Cost**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value					-
Other financial assets	317,608	-	317,608	-	317,608
Trade and other receivables	305,517	-	305,517	-	305,517
Cash and cash equivalents	217,629	-	217,629	-	217,629
	840,754	**-**	**840,754**	**-**	**840,754**
Financial liabilities not measured at fair value					
Loans and borrowings	145,373	-	152,901	-	152,901
Trade and other payables*	487,848	-	487,848	-	487,848
Dividend payable	363,407	-	363,407	-	363,407
	996,628	**-**	**1,004,156**	**-**	**1,004,156**

*Trade and other payables excludes statutory deductions such as Value Added Tax payable, Withholding Tax payable, PAYE payable, Pension payable and other non-income taxes payables.
The carrying amount of financial instrument such as short term trade and other receivables, other financial asset, cash and cash equivalent, trade and other payables and dividend payable are a reasonable approximation of their fair values.

- **Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:
(i) quoted market prices or dealer quotes for similar instruments;
(ii) other techniques, such as discounted cash flow analysis, sales prices of comparable properties in close proximity, are used to determine fair value for the remaining financial instruments.

Adjustment to level 2 inputs will vary depending on factors specific to the asset or liability such as the location or condition of the asset.

(b) Financial risk management

Overview

The Company has exposure to the following risks arising from financial instruments:
● Credit risk
● Liquidity risk
● Market risk

This note presents information about the Company’s exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company’s management of capital.

(i) **Risk management framework**

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Board of Directors has established the Strategy and Risk Management Committee, which is responsible for developing and monitoring the Company’s risk management policies. The Committee reports regularly to the Board of Directors on its activities.

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The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by the Internal Audit Function, outsourced to Bamidele Daramola & Co.
Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(ii) **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

In thousands of naira	**2022**	**2021**
Trade and other receivables (See (a) below)	87,962	305,517
Cash and cash equivalents (excluding cash at hand) (See (b) below)	524,996	217,312
Other financial assets (See (b) below)	290,779	317,608
	903,737	**840,437**

(a) Trade and other receivables

In thousands of naira	**2022**	**2021**
Net trade and lease receivables (See a(i) below)	521	215,524
Deposit with company registrar (See a(ii) below)	81,036	81,036
Staff debtors (See a(iii) below)	1,349	1,946
Other receivables (See a(iii) below)	5,056	7,011
	87,962	**305,517**

(i) Net trade and lease receivables

The Company's exposure to credit risk in respect of trade receivables is influenced mainly by the individual characteristics of each customer. The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings when available, and in some cases bank references. Credit sales limits are established for each customer and are reviewed regularly. The concentration of credit risk is limited due to the large and unrelated customer base. The company has pledged no trade receivables during the year.

The Company limits its credit risk from trade receivable by establishing a maximum payment of 30 and 60 days depending on the customer credit rating.

Concentration of risk

At 31 December 2022, the maximum exposure to credit risk for trade receivables by type of counterparty was as follows;

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In thousands of naira	Carrying amount 2022	2021
Wholesale customers	41,392	41,392
Retail customers	12,970	12,970
Others (Corporates)	34,922	249,925
Lease receivable	83,688	83,688
	172,972	**387,975**
Impairment losses on financial assets recognised in profit or loss were as follows:		
- Impairment loss on trade receivable arising from contracts for sale of paints	(98,154)	88,764
- Impairment loss on investment property lease contracts	0	83,688
	(98,153)	**172,451**
Net trade and lease receivables	**271,125**	**215,523**

The Company uses an allowance matrix to measure the expected credit loss (ECL) from trade receivables from sale of paints and rental of investment property. The exposures are calculated separately for each segment based on their common characteristics. Loss rates are calculated based on actual loss experienced over the past three years. These rates adjusted by a scalar factor to reflect differences in economic conditions during the year over which the historical data has been collected and the Company's view of economic conditions over the expected lives of the receivables. The scalar factor is based on forecasted inflation rates and industry outlook.

At 31 December 2022, the ageing of trade receivables that were impaired was as follows:

31 December 2022

In thousands of naira	Credit impaired	Weighted average loss	Gross	Impairment	Net
Current (not past due)	No	0%	(2,563)	-	(2,563)
Past due 1–30 days	Yes	16%	241,458	(38,786)	202,672
Past due 31–60 days	Yes	23%	20,345	(4,687)	15,658
Over 61 days due	Yes	100%	45,291	(45,291)	-
			304,531	**98,154**	**215,767**

31 December 2021

In thousands of naira	Credit impaired	Weighted average loss	Gross	Impairment	Net
Current (not past due)	No	0%	2,160	0	2,160
Past due 1–30 days	Yes	16%	241,458	(38,786)	202,672
Past due 31–60 days	Yes	23%	20,345	(4,687)	15,658
Over 61 days due	Yes	100%	45,291	(45,291)	-
			309,254	**(88,764)**	**220,490**

At 31 December 2021, the ageing of lease receivables that were impaired was as follows:

31 December 2022

In thousands of naira	Credit impaired	Weighted average loss	Gross	Impairment	Net
Current (not past due)	No	-	-	-	-
Past due 1–30 days	Yes	-	-	-	-
Past due 31–60 days	Yes	-	-	-	-
Over 61 days due	Yes	100%	83,688	(83,688)	-
			83,688	**0**	**-**

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31 December 2021					
In thousands of naira			Gross	Impairment	Net
Current (not past due)	No	0%	-	-	-
Past due 1–30 days	Yes	-	-	-	-
Past due 31–60 days	Yes	-	-	-	-
Over 61 days due	Yes	100%	83,688	(83,688)	-
	0	0	**83,688**	**(83,688)**	**-**

The Company does not hold collateral on these balances. The Company does not have trade receivables for which no loss allowance is recognised because of collateral.

Movement in the allowance for impairment in respect of trade receivable during the year was as follows:

	2022	**2021**
In thousands of naira		
Balance as at 1 January	172,451	164,306
Net impairment loss recognised	(270,605)	8,146
Balance as at 31 December	**(98,154)**	**172,451**

(ii) Deposit with Company Registrar

This represents amounts held with the Company registrar in respect of payments of declared dividends to shareholders on behalf of the Company. This represents the Company's maximum credit exposure to the financial asset. The refund of this receivable is as stipulated by the Securities Exchange Commission's set guidelines.

The Company's registrar is Meristem Registrars Limited, which has a history of reputable ratings. The Company has assessed the credit risk as low and the ECL is immaterial.

(iii) Staff debtors and other receivables

This mainly represents lease receivable in respect of rent of an insignificant portion of the Company's building propeties to third parties and receivables from employees.

These receivables are payable on demand and its contractual period is less than 12 months. The Company has assessed the counter parties to have sufficient net liquid assets and are considered to be low credit risk, hence, the expected expected credit loss is immaterial.

Consequently, the Company has not incurred impairment loss in respect of staff debtors and other receivables.

(b) Cash and cash equivalents and other financial asset:

The Company held cash and cash equivalents of ₦525 million and other financial asset of ₦290 million as at 31 December 2022 (31 December 2021: N218 million and N318 million respectively) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with commercial banks with good external ratings. The Company manages the risk associated with its cash and cash equivalents by selecting banks with strong financial position and history of good performance.

Impairment on cash and cash equivalent has been measured on a 12 month expected credit loss basis and reflects the short maturities of the exposures. The Company considered that its cash and cash equivalent and other financial asset have low credit risk based on the external credit ratings of the counter parties.

(iii) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Company’s reputation.

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The Company aims to maintain the level of cash and cash equivalents at an amount above expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. At 31 December 2022, the expected cash flows from trade and other receivables maturing within three months were ₦266.3 million (31 December 2021: ₦266.3 million). This excludes the potential impact of extreme circumstances, such as natural disasters, that cannot reasonably be predicted.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements:

31 December 2022		**Contractual cash flows**					
In thousands of naira	**Carrying Amount**	**Total**	**6 months or less**	**6-12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Loans and borrowings (excluding lease liability)	25,131	254,355	57,668	39,337	157,350	-	-
Lease liability	(0)	59,613	29,807	29,806		-	
Trade and other payables*	561,049	561,049	561,049	-	-	-	-
Dividend payable	363,407	363,407	363,407	-	-	-	-
	949,587	**1,238,423**	**1,011,930**	**69,143**	**157,350**	**-**	**-**

31 December 2021		**Contractual cash flows**					
In thousands of naira	**Carrying Amount**	**Total**	**6 months or less**	**6-12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Loans and borrowings	97,695	254,355	57,668	39,337	157,350	- #	-
Lease liability	47,678	59,613	29,807	29,806	-	- #	-
Trade and other payables*	561,049	561,049	561,049	-	-	- #	-
Dividend payable	363,407	363,407	363,407	-	-	-	-
	1,069,829	**1,238,424**	**1,011,931**	**69,143**	**157,350**	**0**	**-**

*Trade and other payables excludes statutory deductions such as non- incoime tax and pension payables

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(iv) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising

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1. ***Currency risk***

The Company is exposed to currency risk on purchases that are denominated in a currency other than the functional currency of the Company. The functional currency of the Company is primarily the Naira. The currencies in which these transactions are primarily denominated are Naira (₦), Euro (€), US Dollars (US$) and Pounds Sterling (GBP). The currency risk is the risk that the fair value or future cash flows of financial instrument will fluctuate due to the changes in foreign exchange rates.

The Company's policy is to ensure that its net exposure in respect of monetary assets and liabilities denominated in foreign currencies are kept to an acceptable level. The Company monitors the movement in foreign currencies on an ongoing basis and takes appropriate actions as necessary.

Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk is as follows:

	31 December 2022			31 December 2021		
	US$	€	GBP	US$	€	GBP
Foreign currency included in cash and cash equivalents	95,481	1,088	356	95,481	1,088 #	356

The following significant exchange rates were applied;

	Average rate during the year		Year end spot rate	
Naira	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
US$ 1	409.49	409.49	424.11	424.11
€ 1	483.73	483.73	480.10	480.10
GBP 1	547.61	547.61	571.40	571.40

Sensitivity analysis

A reasonably possible strengthening /(weakening) of the naira against all other currencies at 31 December 2021 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest and inflation rates, remain constant and ignores any impact of forecast purchases.

	Profit or loss	
In thousands of Naira	Strengthening	Weakening
31 December 2022		
US$ (20% movement)	8,099	(8,099)
€ (20% movement)	104	(104)
GBP (20% movement)	41	(41)
31 December 2021		
US$ (20% movement)	8,099	(8,099)
€ (20% movement)	104	(104)
GBP (20% movement)	41	(41)

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2. ***Interest rate risk***

The Company adopts a policy of ensuring that all its interest rate risk exposure is at fixed rate. This is achieved by entering into fixed rate instruments.

Interest rate risk comprises interest price risk that results from borrowings at fixed rates and the interest cashflow risk that results from borrowings at variable rates. The Board of Directors is responsible for setting the overall duration and interest management targets. The Company's objective is to manage its interest rate exposure through careful borrowing profiling and use of heterogeneous borrowing sources.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

Fixed rate instruments	**Nominal amount**	
In thousands of naira	**2022**	**2021**
Financial liabilities:		
Short term borrowings	25,131	137,498
Long term borrowing	-	7,875
	25,131	**145,373**

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

The Company does not have any variable rate financial assets and liabilities as at 31 December 2022 (2021: Nil).

(c) **Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders. This is done by using a ratio of adjusted net debt to adjusted equity. Adjusted net debt has been defined as total liabilities, comprising loans and borrowings, less cash and cash equivalents. Adjusted equity comprises all components of equity.

The Company's adjusted net debt to equity ratio at 31 December, was as follows:

	2022	**2021**
In thousands of naira		
Total liabilities	1,933,767	1,879,966
Less: Cash and Cash equivalents	(525,191)	(217,629)
Adjusted net debt	**1,408,576**	**1,662,337**
Total Equity	**3,430,344**	**3,230,704**
Net debt to equity ratio	**0.41**	**0.51**

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31 Leases

A. Leases as Lessee (IFRS 16)

The Company leases land which is for a minimum lease term of 99 years. This lease was entered into several years ago and was classified as leasehold land.

The Company also entered into lease arrangements for the right to use of motor vehicles. The lease expires in 2022; however, management has the intention to exercise the purchase option.

Right of use assets related to leased assets are presented as property, plant and equipment (see Note 14(f)). Interest on lease liabilities as well as the repayments of the lease has been included in loans and borrowings (see Note 26(a)).

B. Leases as Lessor

The Company leases out its investment property consisting of its owned commercial properties (see Note 16) and insignificant portion of its office premise to 3rd parties.

The Company has classified these leases as operating lease, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the investment property.

a. Future minimum lease payments

At as 31 December 2022 there are no future minimum lease payments under non calcellable and each of the leases are one year (2021: Nil)

b. Amounts recognised in profit or loss

Investment property lease income recognised for the year is ₦4.28 million (2021: ₦4.28million) and was included in 'Revenue' (see note 5(a)). Depreciation expense on the investment property was included in 'Cost of Sales' (see note 9(b)).

32 Provision of Non Audit Services

The details of non-audit services and the applicable fees paid during the year ended 31 December 2022 were:

	2022	**2021**
	₦' million	**₦' million**
i. Tax services	1.45	1.45
ii Transfer pricing advisory services	0.97	0.97

33 Contingencies

There are no contingent liabilities in respect of litigation and claims for the Company as at 31 December 2022 (2021: Nil).

34 Subsequent events

On 25 March 2023, a dividend of.... kobo per share was proposed by the directors for approval at the Annual General Meeting. There were no events after the reporting date that could have had a material effect on the consolidated and separate financial statements that have not been provided for or disclosed in these financial statements.

Notes to the Financial Statements
For the period ended 31 December 2022

35 Operating segments

a. Basis of segmentation

The Company has three reportable segments, as described below, which are the Company's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different process and marketing strategies. For each of the strategic business units, the Company's Management Committee review internal management reports on a weekly basis. The following summary describes the operations in each of the Company's reportable segments:

Reportable segments	Operations
Paints and allied products	Manufacturing, distribution and selling of paints and allied products
Contract revenue	Rendering of painting services
Investment property rental	Rentals of trade shops and office spaces

The accounting policies of the reportable segments are described in Note 3(s).

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before taxation, as included in the internal management reports that are reviewed by the Company's Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

b. Information about reportable segments

In thousands of naira

	Paints and allied products	Contract revenue	Investment property rental income	Unallocated	Total
31 December 2022					
External revenues	-	133,330	-	-	133,330
Finance income	-	-	(727)	22	(705)
Finance costs	-	-	-	(3,011)	(3,011)
Depreciation & amortisation	#DIV/0!	#DIV/0!	(20,360)	-	#DIV/0!
Net impairment loss on trade receivables	-	-	-	-	-
Reportable segment profit /(loss) before taxation	462,000	29,585	(21,087)	(2,989)	467,509

	Paints and allied products	Contract revenue	Investment property rental income	Unallocated	Total
31 December 2021					
External revenues	4,852,895	107,553	4,348	-	4,964,796
Finance income	-	-	-	24,056	24,056
Finance costs	-	-	-	(15,187)	(15,187)
Depreciation & amortisation	(238,997)	(214)	(20,786)	-	(259,997)
Impairment loss on trade receivables	-	-	(8,145)	-	(8,145)
Reportable segment profit before income taxation	119,209	87,266	(24,583)	8,869	190,761

Assets and liabilities by reportable segments are not presented to the Chief Operating Decision Maker (Management Committee) on a regular basis. Therefore, information on segment assets and liabilities has not been presented.

Notes to the Financial Statements
For the period ended 31 December 2022

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities and other material items

Revenues

There are no significant reconciling items between the reportable segment revenue and revenue for the year.

Profit or loss

In thousands of naira	**2022**	**2021**
Total profit or loss for reportable segments	470,498	181,892
Unallocated finance income	22	24,056
Unallocated finance costs	(3,011)	(15,187)
Profit before minimum taxation	467,509	190,761

Other material items

There are no significant reconciling items between other material items for the reportable segments and Company total.

Major customer

Revenue from one customer does not represent up to 10% of the Company's total revenue. Therefore, information on major customers is not presented.

Other National Disclosures

Other National Disclosures
Value Added Statement

For the year ended 31 December 2022
In thousands of naira

	2022	%	2021	%
Revenue (Note 5)	6,325,825		4,964,796	
Finance Income (Note 7)	22		26,843	
Other income (Note 6)	60,533		77,320	
	6,386,380		5,068,959	
Bought in materials and services				
- Imported	(49,290)		(49,290)	
- Local	(3,847,278)		(3,847,278)	
Value added	**2,489,812**	**100**	**1,172,391**	**100**
Distribution of value added				
To Employees:				
Personnel expenses	710,322	50	686,092	58
To Providers of Finance:				
Interest on loans (Note 7)	15,551	1	35,626	3
To Government:				
Taxation (Note 11(a))	151,940	11	42,454	4
Minimum tax (Note 12)	-	-	12,672	1
Retained in the business as:				
Depreciation (Note 9(b))	239,303	17	243,486	21
Amortisation (note 15)	0	0	16,426	1
To augment reserve	315,570	22	135,635	11
	1,432,686	**100**	**1,172,391**	**100**

Value added is wealth created by the efforts of the Company and its employees and its allocation between employees, shareholders, government and re-investment for the creation of future wealth.

Other National Disclosures
Five Year Financial Summary

In thousands of naira

	2022	2021	2020	2019	2018
Funds employed					
Share capital	144,912	144,912	144,912	144,912	144,912
Share premium	635,074	635,074	635,074	635,074	635,074
Retained earnings	2,650,358	2,450,717	2,366,986	2,293,414	2,033,066
Shareholder's fund	3,430,344	3,230,703	3,146,972	3,073,400	2,813,052
Current liabilities	1,549,061	1,439,061	1,328,867	1,465,725	1,285,038
Non-current liabilities	384,706	440,905	496,033	527,324	437,209
	5,364,111	**5,110,669**	**4,971,872**	**5,066,449**	**4,535,299**
Assets employed					
Non current assets	2,921,973	3,064,279	3,212,821	3,292,840	2,889,175
Current assets	2,442,135	2,046,390	1,759,051	1,773,609	1,646,124
	5,364,111	**5,110,669**	**4,971,872**	**5,066,449**	**4,535,299**

In thousands of naira

	2022	2021	2020	2019	2018
Revenue	6,325,825	4,964,796	3,837,582	3,584,804	3,377,223
Profit before minimum tax	467,509	190,761	211,850	551,561	454,328
Profit before tax	467,509	178,089	210,903	533,099	454,328
Profit for the year	315,570	135,635	146,028	448,733	320,509
Other comprehensive income, net of tax	-	-	-	-	-
Declared dividend	115,929	115,929	72,456	188,385	144,912
Per 50k share data:					
Basic and diluted earnings per share (kobo)	109	47	50	47	111
Declared dividend per share (kobo)	40	40	25	25	50
Net assets per share (kobo)	12	11	11	11	10

289,823,447.00